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CENTRAL INTELLIGENCE AGENCY

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THIS IS UNEVALUATED INFORMATION

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The following is a translation from a copy of a report in German, prepared by the Austrian Trade Delegation in Prague, 4 October 1949.

TRANSLATION

The Czechoslovak Republic and Devaluation of Western Currencies

Prague, 4 October 1949

The following information on the attitude of the Czechoslovak Government regarding results of the recent devaluation of Western currencies has been gathered in the course of conversations with administrative officials of the Trade Policy Section and various other agencies:

For well-known political reasons, the Czechoslovak Government will not consent to devaluation of the Czech crown, following devaluation of Western currencies, to avoid displaying even a theoretical dependence upon the sterling and dollar bloc.

Czechoslovak officials of the Supreme Planning Board and of the Trade Policy Sections believe Czechoslovakia's planned economy is in a position to solve its export problems, which are expected as a result of currency devaluations recently made by Western countries.

In the first place, these officials intend to authorize Czechoslovak foreign trade monopolies to intensify their export effort and to increase export deliveries to West European states at a Czechoslovak crown price level considerably below actual production costs.

Within the framework of Czechoslovakia's planned economy, production and export have been completely separated from an accounting standpoint, with the result that nationalized industries sell their products at cost price to export trade monopolies, which then calculate an export price

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on the basis of world market trends and current price levels of the recipient country. It is, therefore, a routine practice of export trade monopolies to sell the same item for different prices to various countries. Of course, this plan for dumping goods on foreign markets at prices lower than the actual cost price will bring some losses to the export trade monopolies. It is assumed that these losses will be compensated from a special foreign currency fund. By procuring Western currencies in the manner described in the preceding paragraph, Czechoslovak foreign trade monopolies will still be able to purchase at a favorable rate raw materials from West European states and from overseas. It is anticipated that future business with West European states will be transacted purely on a compensation basis and that the necessary reduction of Czechoslovak export prices, calculated in terms of Czech crowns, will be compensated by reduced costs of raw materials purchased from Western countries.

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